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SUBJECT: PRESIDENT GUL PROPOSES GAS PIPELINE VIA IRAN AND JOINT  
EXPLORATION FOR TURKMEN GAS

SENSITIVE BUT UNCLASSIFIED. PLEASE HANDLE ACCORDINGLY.

¶1. (SBU) SUMMARY: Turkish President Abdullah Gul's December 5-6 visit to Turkmenistan focused on energy and economic relations. Gul proposed to his Turkmen counterpart to transport Turkmen gas to market via Turkey, and joint oil and gas exploration in Turkmenistan. Energy Minister Guler was quoted in press reports as saying that Turkey proposed a new gas pipeline through Iran. An advisor to Guler confirmed that Guler had proposed the "more realistic and doable" Iran route over the Trans-Caspian pipeline (TCP) while another Energy ministry contact said Turkey supports both TCP and an Iran pipeline, and said the Turkmen wanted to go forward with joint exploration. Both contacts emphasized Turkey's need for more gas in the short (5-7 year) term, when Turkey's supply insecurities will be highest. End Summary.

¶2. (U) Following his trips to Azerbaijan, Georgia and Pakistan, Turkish President Abdullah Gul paid an official visit to Turkmenistan on December 5-6. Gul's stated aim was to "rebuild ties" with the Turkmen Government and increase economic cooperation between the two countries. "My visit will provide an opportunity to redefine, revise and strengthen our shared vision for the future, in the light of past experiences," said Gul, prior to his departure. This was Turkey's first Presidential visit to Turkmenistan in seven years. Energy Minister Hilmi Guler, Industry Minister Zafer Caglayan, Turkish Union of Chambers and Commodity Exchanges (TOBB) President Rifat Hisarciklioglu and several businessmen joined Gul for his visit.

¶3. (U) Gul and Turkmen President Berdymukhamedov signed a joint declaration and held a press conference, where Gul said both sides agreed on the immense potential for cooperation in regional and international issues. President Berybukhamedov referred to both countries facing terrorism and crime problems on which the two countries agreed to work together, but gave no details. Following the presidential meetings, Turkish Industry Minister Caglayan and Vice Chairman of the Turkmen Council of Ministers Mukhamedov signed an "Agreement for Establishment of an Inter-Governmental Economic Commission between Turkey and Turkmenistan."

A Pipeline via Iran  
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¶4. (U) After meetings with his Turkmen counterparts, Energy Minister Guler announced that Turkey wanted to revitalize the Turkey-Turkmenistan gas pipeline project. Guler said President Gul and President Berdymukhamedov would discuss building a 16BCM capacity pipeline from Turkmenistan to Turkey via Iran.

15. (SBU) Following Minister Guler's comments on the Iran pipeline proposal, Musa Gunaydin, an advisor to Energy Minister Guler, told us that Guler had not actually specified a route through Iran in his press comments, but did not deny that he raised the Iran route with the Turkmen. Gunaydin said that Turkey supports both a Trans-Caspian Pipeline (TCP) and a Turkmenistan- Iran- Turkey pipeline. There is enough gas supply in Turkmenistan and enough gas demand in Europe for both projects. However, Gunaydin reiterated the importance of timing, arguing that Turkey was competing against Russia and had to act quickly to secure other resources. He thought the Gul visit was a major step and that progress would come quite quickly after this stage. "An agreement may be concluded in a few months," said Gunaydin.

16. (SBU) We received a different reaction from Energy Analyst and independent advisor to Minister Guler, Faruk Demir, who confirmed that Guler had proposed the Iran route, although he said this did not mean Turkey was giving up on TCP. Turkey had supported TCP for years without seeing any progress, and would be happy to move forward with it if they saw it as "more realistic and doable." Demir noted that a major impediment to the Iran route had been the lack of an agreement between Turkey and Iran on transit issues. "The recent agreement Turkey and Iran reached, where Iran agreed to Turkey using Iranian territories for importing Turkmen gas, paved the way for this project with Turkmenistan," said Demir. Turkey plans to build a new pipeline to transport the 16BCM of gas that Turkey contracted with Turkmenistan for in 1999, plus any Turkmen gas that Turkish companies may develop in the future. The existing gas pipelines between Turkmenistan, Iran, and Turkey could support a 5BCM initial flow, according to Demir, but construction of a high-capacity pipeline makes more sense.

#### Joint Oil and Gas Exploration Projects

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17. (SBU) Prior to Gul's trip, press reports citing an unnamed Prime Ministry official reported that Turkey would propose joint oil and gas exploration projects to the Turkmen side. Musa Gunaydin, an advisor to Energy Minister Guler, had told us about the GOT's plans to develop oil and gas fields in Turkmenistan in a meeting on December 3. Gunaydin expressed high hopes on the Turkmen Government's position with regard to cooperation with Turkey, and said the timing was extremely important. Gunaydin asked for the Embassy's assistance in facilitating access to the U.S. companies who may be interested in taking part in such projects. Following Gul's visit, Gunaydin confirmed the Turkish side made the proposal for joint exploration and development and said the Turkmen wanted to go forward these projects.

18. (SBU) COMMENT: The proposals for joint exploration and transportation of Turkmen gas through Iran are consistent with Turkey's strategy to diversify and expand its energy supply over the next 5-7 years. Turkey now gets 60% of its natural gas from Russia, and wants to be dependent on no single country for more than 30% of its gas. It uses just over 50% of its gas for producing electricity, and needs to quickly and sharply increase electricity production to keep up with escalating demand. The GOT is working hard to build good relations with all of its gas-rich neighbors, including Iran to meet these requirements. We have heard similar complaints about the lack of action on the TCP from Guler and other GOT energy contacts. End Comment.

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